



OFFICE OF THE GOVERNOR

TEXAS ECONOMIC DEVELOPMENT & TOURISM

“Just the Facts!”

A Texas Small Business Credit
Initiative (TSBCI) Webinar

December 13, 2022



FIRST THINGS FIRST:

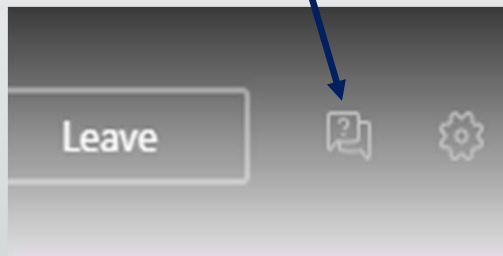
Please like one of these statements, in the Featured Feed:

I am with a financial institution.

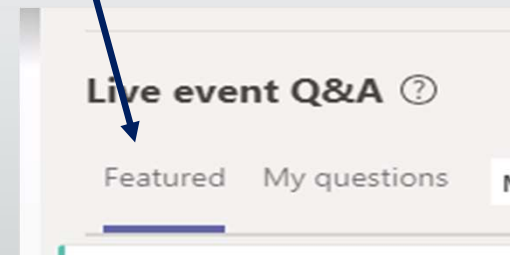
OR

I am with a small business.

Live Q&A Feed (upper right of screen):



"Featured" Feed Tab:





Larry McManus

Director of Business & Community Development
Texas Economic Development & Tourism
Office of the Governor



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FIRST THINGS FIRST:

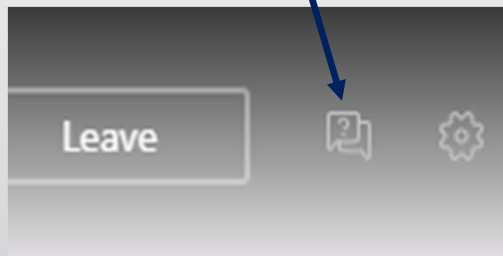
Please like one of these statements, in the Featured Feed:

I have applied for a state and/or federal grant before.

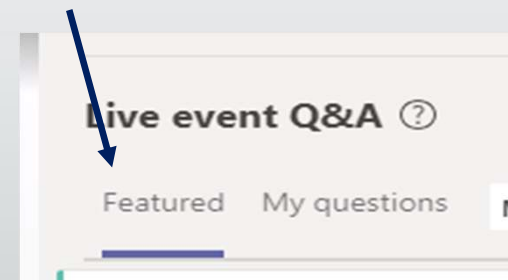
OR

I have NOT applied for a state and/or federal grant before.

Live Q&A Feed (upper right of screen):



"Featured" Feed Tab:





QUESTION & ANSWER

LIVE Q&A NOW OPEN

(Unfortunately we may not get to all questions)

- “Like” the questions you would like answered
- Monitor the feed to check if your question has already been asked
- Questions with the most “likes” will be prioritized



Texas Small Business Credit Initiative Administrators



Dan Poane
Finance Specialist



Nancy Namis
Finance Specialist



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TSBCI: BACKGROUND & PURPOSE

On March 11, 2021, the U.S. Congress enacted the American Rescue Plan Act, which, in part, provides \$10 billion to fund the State Small Business Credit Initiative (SSBCI). Administered by the U.S. Department of the Treasury, this initiative is the second installment of the program originally passed under the Small Business Jobs Act of 2010.

The objective of SSBCI is to support state programs that provide resources to assist small business growth and create new jobs through increased access to small business funding. The program will target small businesses that are traditionally marginalized and those that have been impacted by the COVID-19 pandemic.

The Texas Small Business Credit Initiative is expected to be allocated more than \$472 million which will be used to operate a Capital Access Program (CAP) and a Loan Guarantee Program (LGP).



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CAPITAL ACCESS PROGRAM (CAP)

Under CAP, the state provides matching portfolio insurance premium payments to a loan loss reserve fund for each participating financial institution to encourage lenders that make small business loans. Both the lender and the borrower must make matching insurance premium payments to the reserve fund.

Anticipated Program Metrics:

- Federal Allocation: \$113.8 million
- Loss Reserve Contributions (CY2023): \$8.5 million
- Enrolled Loans (CY2023): 2,300



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LOAN GUARANTEE PROGRAM (LGP)

The LGP is a partnership between the state and approved financial institutions under which the state allocates funds to the private financial entity as collateral for qualifying loans enrolled in the program.

Anticipated Program Metrics:

- Federal Allocation: \$341.4 million
- Loan Guarantees (CY2023): \$25.6 million
- Enrolled Loans (CY2023): 520



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FINANCIAL INSTITUTION ENROLLMENT

The Financial Institution Enrollment helps facilitate financial institutions (FIs) such as banks, savings and loans associations, credit unions, Community Development Financial Institutions (CDFIs) and non-traditional financial institutions to apply for participation in the TSBCI Program;

- Applications will be done via the Economic Development Bank (EDB) TSBCI Web Portal at tsbci.gov.texas.gov;
- Applications will require information such as contact details for the FIs, locations demonstrating significant reach into areas with high concentrations of businesses owned by Socially and Economically Disadvantaged Individuals (SEDI), information on board members and personnel, credit policies, how many loans they intend to enroll and willingness to sign a participation agreement.
- Once an application is received, EDB staff will review and grade before providing management with a recommendation to accept or reject.



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FINANCIAL INSTITUTION INDIVIDUAL LOAN ENROLLMENT

Borrowers can enroll if they meet the following criteria:

- Small business (fewer than 100 employees)
- Medium sized business (100 to 499 employees)
- Nonprofit organization
- Domiciled in Texas
- 51% or more of its employees are currently located in Texas



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FINANCIAL INSTITUTION INDIVIDUAL LOAN ENROLLMENT

To qualify for the SEDI portion of the programs they must certify that they are owned and controlled by individuals who meet the following criteria:

- Have access to credit on reasonable terms diminished as compared to others in comparable economic circumstances.
- Have a business enterprises that are owned and controlled by individuals whose residences are in CDFI Investment Areas.
- Have a business enterprises that certifies that they will operate a location in a CDFI Investment Area; or
- Have a business enterprise located in a CDFI Investment Area.

The EDB will require FIs to set up Loan Loss Reserve accounts, match FI's premium payments at 7% each in the case of CAP and in the case of the LGP establish encumbrance accounts with the Comptroller of Public Accounts (CPA) and encumber a maximum of 80%.



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FINANCIAL INSTITUTION INDIVIDUAL LOAN CLAIM PROCESS

- The participation agreement will specify the responsibilities of the FI in pursuing available remedies to collect unpaid principal prior to submitting a claim. If a borrower defaults on a loan, the FI may submit a claim. Claims may be made by the FI on a semi-annual basis.
- When defaults occur, the FI will submit a claim to the Bank via the web portal and, upon review and approval, either the encumbered funds serving as the guarantee for the LGP loan (at a maximum of 80 percent of the outstanding principal amount of the loan) or funds in the FI's CAP Loan Loss Reserve (LLR) account will be distributed to pay the claim, as applicable.
- All claims will be subject to review by EDB staff.



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PROGRAM REPORTING TO TREASURY

Reporting is due to the Bank via the web portal within 15 days from the end of each quarter to enable the EDB to report to Treasury 30 days from the end of each quarter.

- Total amount of TSBCI funds used for administrative costs
- Total amount of TSBCI funds used
- Amount of program income generated
- Amount of charge-offs against the federal contributions to the reserve funds set aside for any approved capital program
- The contracted entities and amounts of TSBCI funds transferred in the period
- The aggregated amount of TSBCI funds deployed by the EDB or contracted entities to support loans to or investments in eligible small businesses
- The aggregate amount of TSBCI funds deployed for allocations related to SEDI-owned businesses and VSBs



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PROGRAM REPORTING TO TREASURY CONT.

Annual Reporting

Due to the Bank no later than February 15th of each year, participating lenders must submit to the Bank, via the web portal.

A reporting mechanism is embedded into the web portal where participating FIs will enter program reports with the information on:

- Self-certified SEDI demographics-related business status
- Minority-owned or controlled business status
- Women-owned or controlled business status
- Veteran-owned or controlled business status
- Race/Ethnicity
- Gender Self-Described
- Sexual Orientation

The Bank is required to submit regular reports to Treasury. Treasury may make information from the reports public. A summary of the performance results of Texas' allocation are to be submitted with Texas' final annual report.



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TIMELINE FOR LAUNCH

***Currently in review phase with Treasury**

- Estimated completion January 2023

Participation Review and Sign-off

- 2 weeks – estimated completion January 30, 2023

Web Portal to be Operational

- 90 days after signature of Participation Agreement – March, 2023

Marketing

- Conducted one month before launch of Web Portal – February 2023



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LIVE QUESTIONS & ANSWERS





SMALL BUSINESS RESOURCE PORTAL



gov.texas.gov/business-portal

- Provides links to key resources for small businesses and start-ups
 - Local, state and federal resources
 - Business advice & growth assistance
 - Funding sources, customized resources
- Just answer 5 simple questions to customize your results
- Email them to yourself or print

Small Business Assistance Team



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Business Assistance Specialist
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Social Media: [@TexasEconDev](https://twitter.com/TexasEconDev)
Events Calendar: gov.texas.gov/events



CONTACT INFORMATION & RESOURCES

- **TSBCI Contact:** tsbci@gov.texas.gov
- **Governor's Small Business Webinar Series:**
<https://gov.texas.gov/business/page/small-business-webinars>
Slides available here within 48 hours
- **Events Calendar:** <https://gov.texas.gov/events>
- **Treasury Website on SBCI:** <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>
- **Treasury Email:** ssbci_information@treasury.gov

THANK YOU



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